

NUMBER CDD-27**PROPOSED COUNCIL STUDY ISSUE**For Calendar Year: 2005New X

Previous Year (below line/defer) _____

Issue: Incentives for Business Retention and Attraction**Lead Department:** Community Development Department / Economic Development**General Plan Element or Sub-Element:** Socio-Economic Element**1. What are the key elements of the issue? What precipitated it?**

This study will identify alternatives for financial and other incentives to enhance the advantages of Sunnyvale as a location to do business and to influence business location decisions. The analysis will include cost to the City to administer an incentive program versus the potential benefits to be achieved. Various approaches would include tax or development credits, thresholds for offering incentives, value of incentives to the company, magnitude of incentives (i.e., dollars needed to provide meaningful incentives), qualifications for accessing state and federal incentive programs and proposed or pending programs that should be supported (e.g., pending legislation, enhanced economic development programs through PG&E). The review will include what is currently allowed by state law vs. current City policy and circumstances where the City might benefit from offering incentive programs for both retention and attraction, how to finance incentives and return on the incentives. It will also look at City policies for Sunnyvale companies who could do business with the City to see what additional priority consideration could be given to them (currently Sunnyvale companies within 1% of the highest bidder are given preference).

Businesses in Sunnyvale are making decisions about where to expand their facilities. Sunnyvale is not currently competitive in Class A office space that is attractive to expanding companies. Retail companies and auto dealers are looking at nearby communities to assess competitiveness. The goal of offering incentives is to ensure that Sunnyvale is competitive with competing markets. Incentives (financial and non-financial) are potential tools that may help keep or attract companies to the community.

2. How does this relate to the General Plan or existing City Policy?

Policy 5.1B.3: Monitor the effect of City policies on business development and consider the effects on the overall health of business within the City.

Policy 5.1C.4 Promote business opportunities and business retention in Sunnyvale.

Policy 5.1C.6 Consider development of a strong business retention program.

3. Origin of issue:

Council Member(s): _____

General Plan: _____

City Staff: _____

X

Board or Commission (identify
name of the advisory body from
the list below): _____(Arts, Building of Code Appeals, BPAC, Child Care, Heritage, Housing and
Human Services, Library, Parks and Recreation, Personnel and Planning)Planning Commission ranked this study issue 3T of 12 for 2005.

Board or Commission ranking comments:

4. Multiple Year Project? Yes ___ No X Expected Year Completed 20055. Estimated work hours for completion of the study issue (use 5 or 8-hour
increments):(a) Estimated work hours from the lead department 120

(b) Estimated work hours from consultant(s) if applicable: _____

(c) Estimated work hours from the City Attorney's Office: 40

(d) Estimated work hours from Finance: _____

(e) Estimated work hours from other department(s):

Department: Finance 20

Department: _____

Department: _____

Total Estimated Hours: 180

6. Expected participation involved in the study issue process?

(a) Does Council need to approve a work plan? Yes ___ No X(b) Does this issue require review by a
Board/Commission? If so, please list below: Yes ___ No X(c) Is a Council Study Session anticipated? Yes ___ No X

(d) What is the public participation process?

Possible focus group sessions with businesses to determine the importance of incentives in site selection process, and prioritization of incentives from the business perspective.

7. Cost of Study: Please mark appropriate item below.

☒ **Costs covered in operating budget – Economic Prosperity**

☐ **Costs covered by project - N/A**

☐ **Budget modification needed for study – N/A**

Explain below what the additional funding will be used for:

8. Potential fiscal impact to implement recommendations in the Study approved by Council, if any:

Mark a range for the items below:	\$500 or none	\$50K or less	\$51K - \$100K	\$101K - \$500K	\$501K or more
Capital expenditure range	X				
Operating expenditure range		X			
New revenues/savings range		X			

Explain impact briefly: Staff time to administer a program would require operating budget. Incentive programs vary by business type and location but would not be undertaken unless "significant" long term revenue advantage is achievable.

9. Staff Recommendation for this calendar year:**"For" Study ____ Explain:****"Against" Study ____ Explain:****Defer Study X Explain:**

This study would analyze the importance of incentives and under what circumstances they could be offered to make a difference in retention and site selection so that appropriate policies and strategies can be in place before the City faces a situation that requires this kind of analysis. This issue should be studied in under more prosperous economic conditions so that viable funding sources and other opportunities can be readily identified. Given our current economic situation, staff feels that this issue should be deferred for one year.

No Recommendation ____

Note: If staff's recommendation is "for study" or "against study", the Director should note the relative importance of this Study to other major projects that the department is currently working on or that are soon to begin, and the impact on existing services/priorities.

Reviewed by

Department Director

Date**Approved by**

City Manager

Date